

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

<b>Illinois Commerce Commission</b>	:	
<b>On Its Own Motion</b>	:	
<b>-vs-</b>	:	
<b>Union Electric Company</b>	:	
	:	<b>04-0685</b>
<b>Reconciliation of revenues</b>	:	
<b>collected under gas adjustment</b>	:	
<b>charges with actual costs</b>	:	
<b>prudently incurred.</b>	:	

**ORDER**

By the Commission:

On November 10, 2004, the Illinois Commerce Commission ("Commission") entered an Order Commencing PGA Reconciliation Proceedings directing Union Electric Company ("UE"), doing business as AmerenUE, to present evidence in this docket at a public hearing showing the reconciliation of revenues collected under its purchased gas adjustment ("PGA") tariff with the actual cost of gas supplies prudently incurred and recoverable under said PGA tariff for the period from January 1, 2004 through December 31, 2004 (the "Reconciliation Period"). Notice of the filing of UE's testimony and exhibits with the Commission was posted in UE's business offices and was published in newspapers having general circulation in UE's service territory, in the manner prescribed by 83 Ill. Adm. Code 255, in compliance with the Commission's November 10, 2004 initiating order.

Pursuant to proper legal notice, hearings were held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois on May 4 and August 3, 2005. Appearances were entered by Commission Staff ("Staff") and counsel for UE. The participants were afforded the opportunity to cross-examine all witnesses and to offer evidence with respect to all issues in this proceeding. At the August 3 evidentiary hearing, counsel for UE requested confidential treatment of certain proprietary information in the record. The proprietary information sought to be protected consists of the details of specific gas supply, transportation, and storage transactions, the disclosure of which, according to UE, would adversely affect UE's relationships with gas suppliers and its ability to negotiate future gas supply arrangements. UE requests that confidentiality of the subject information be issued with a five-year expiration date. Staff does not object to the request. At the conclusion of the August 3 evidentiary hearing, the record was marked "Heard and Taken."

In accordance with Section 9-220 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq., the Commission may authorize an increase or decrease in rates and charges based upon changes in the cost of purchased gas through the application of a

PGA clause. Section 9-220(a) requires the Commission to initiate annual public hearings “to determine whether the clauses reflect actual costs of...gas...purchased to determine whether such purchases were prudent, and to reconcile any amounts collected with the actual cost of...gas...prudently purchased.” In each such proceeding, the burden of proof shall be upon the utility to establish the prudence of its applicable costs.

For gas purchases, the provisions of Section 9-220 are implemented in 83 Ill. Adm. Code 525, “Uniform Purchased Gas Adjustment Clause.” Section 525.40 of Part 525 identifies gas costs that are recoverable through the PGA clause. Adjustments to gas costs through the Adjustment Factor are addressed in Section 525.50. The gas charge formula is contained in Section 525.60. Annual reconciliation procedures are described in Section 525.70.

The record contains a description of UE’s practices and procedures for reconciling the revenues collected under its PGA tariff with the actual costs recoverable under such tariff during the Reconciliation Period.

Paul Mertens, the Fuel Accounting Supervisor in the Accounting Department of Ameren Services Company, an affiliated service company of UE, testified that he has responsibility for supervising the calculation and filing of UE’s monthly and annual PGA reconciliation required by UE’s PGA tariff. Mr. Mertens sponsored AmerenUE Exhibit No. 1.1, the schedule which identified and reconciled all components of UE’s 2004 gas costs and recoveries. The schedule showed that UE had over recovered gas costs from its customers during 2004 by the amount of \$351,367. When the under-recovery from prior periods is subtracted, the over-recovery amounts to \$299,720. When the amortized Factor A Adjustments of \$299,506 are matched against the over-recovery of \$299,720, AmerenUE Exhibit 1.1 shows an unamortized balance of \$213. Mr. Mertens also testified that an independent auditor, PricewaterhouseCoopers LLP, had audited the revenue and cost data presented in AmerenUE Exhibit 1.1. He submitted a copy of the audit report as AmerenUE Exhibit 1.2.

Vonda Seckler testified that she is the Managing Executive in the Gas Supply Division of Ameren Energy Fuels and Service Company, an affiliated company that provides UE and the other affiliates of Ameren Corporation with fuel and natural gas supply and management services. Ms. Seckler testified that she is responsible for purchasing gas supply services for UE’s Illinois gas distribution system, and described UE’s gas procurement activities for the Reconciliation Period. She also discussed the gas supply portfolio strategies, including the hedging and price control methods used by UE during the Reconciliation Period to mitigate the impact of natural gas price increases on its customers. Ms. Seckler opined that UE’s procurement of natural gas was prudent during 2004.

Theresa Ebrey, an Accountant in the Accounting Department of the Financial Analysis Division of the Commission’s Public Utilities Bureau, testified that she was assigned to review UE’s PGA reconciliation, analyze the underlying data, and propose

adjustments where appropriate. Ms. Ebrey testified that she found no reason to object to UE's reconciliation of PGA revenues collected under its PGA tariff with the actual cost of gas supplies. She recommended that the Commission accept the reconciliation of revenues collected under the PGA clause with actual costs as reflected on AmerenUE Exhibit 1.1. In addition, she testified that the reconciliation in this proceeding does not require an Ordered Reconciliation Factor (Factor O).

Eric Lounsberry, a Supervisor in the Gas Section of the Engineering Department of the Energy Division of the Commission's Public Utilities Bureau, testified that he reviewed UE's testimony and responses to numerous data requests and documents at UE's headquarters that directly addressed issues related to the prudence of UE's gas purchasing practices during the Reconciliation Period. Mr. Lounsberry reported he found no reason to dispute UE's assertion that all gas supply purchases were prudently incurred during the Reconciliation Period.

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) UE is a corporation engaged in the distribution of natural gas to the public in Illinois and, as such, is a public utility within the meaning of the Act;
- (2) the Commission has jurisdiction over UE and of the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) the evidence shows that during the Reconciliation Period, UE acted reasonably and prudently in its purchases of natural gas;
- (5) the proposed reconciliation of revenues collected under UE's PGA tariff with the actual cost of gas supplies during the Reconciliation Period, as described in AmerenUE Exhibit No. 1.1 attached hereto, should be accepted;
- (6) Section 7(g) of the Illinois Freedom of Information Act, 5 ILCS 140/1 et seq., exempts from public disclosure:

Trade secrets and commercial or financial information obtained from a person or business where such trade secrets or information are proprietary, privileged or confidential, or where disclosure of such trade secrets or information may cause competitive harm;

the specified information contained in the proprietary version of AmerenUE Exhibit 2.0 falls within this exemption and should be accorded proprietary treatment until April 7, 2010; and

- (7) all motions, petitions, objections, or other matters in this proceeding that remain unresolved of should be resolved consistent with the conclusions contained herein.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the reconciliation submitted by Union Electric Company of the revenues collected under its PGA tariff with costs prudently incurred for the purchase of natural gas for calendar year 2004 is hereby approved as reflected in the attached Appendix.

IT IS FURTHER ORDERED that the proprietary version of AmerenUE Exhibit 2.0 is afforded proprietary treatment and is exempt from public disclosure and will only be accessible to the Commission and the Commission Staff until April 7, 2010, after which it shall be available to the public.

IT IS FURTHER ORDERED that all motions, petitions, objections, or other matters in this proceeding that remain unresolved are hereby resolved consistent with the conclusions contained herein.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.800, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 14<sup>th</sup> day of September, 2005.

(SIGNED) EDWARD C. HURLEY

Chairman